

Message Text

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41

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 SP-02 USIA-06 AID-05

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

COME-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 PA-01 PRS-01 ABF-01 /086 W

----- 070905

R 100817Z MAR 76

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 9477

INFO AMEMBASSY LONDON

LIMITED OFFICIAL USE HONG KONG 2760

PASS TREASURY

E.O. 11652: NA

TAGS: EFIN, UK, HK

SUBJECT: EFFECTS OF HONG KONG OF STERLING DEPRECIATION

1. DECLINE IN RECENT DAYS OF STEARLING EXCHANGE RATE HAS DRAWN CONSIDERABLE ATTENTION IN LOCAL PRESS. RATE IN HONG KONG DOLLARS WENT FROM 10.02 IN LATE FEBRUARY TO LOW OF 9.57 MARCH 8. (TT BUYING RATES), A DECLINE OF ABOUT 4.5 PERCENT. PASSAGE THROUGH THE HK\$10. LINE WAS APPARENTLY OF PSYCHOLOGICAL IMPORTANCE HERE.

2. REAL EFFECTS ON HONG KONG ARE LIKELY TO BE SMALL. HONG KTNG GOVERNMENT EXTREMELY SECREIVE ABOUT PERCENTAGE OF STERLING IN OFFICIAL EXCHANGE RESERVES, BUT IT IS CERTAINLY UNDER 40 PERCENT. PRESS STORIES LABEL IT " A BIT OVER ONE THIRD". WE ARE INCLINED TO BELIEVE IT IS LESS THAN THAT, PERHAPS ON ORDER 25-30 PERCENT. PRIVATE BANKS HOLD LITTLE STERLING.

3. IN 1975, ONLY 5.1 PERCENT OF HONG KONG'S IMPORTS

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WERE FROM U.K. AND U.K. TOOK 12.2 PERCENT HONG

KONG DOMESTIC EXPORTS. LARGEST EXPORTS TO U.K. ARE
CLOTHING AND TEXTILES. WHICH ARE SUBJECT TO EEC
QUOTA RESTRAINTS AND CONSEQUENTLY UNLIKELY TO BE MUCH
AFFECTED BY PRICE CHANGES OF THIS ORDER MAGNITUDE.
CROSS

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Message Attributes

Automatic Decaptioning: X
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